

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

DOCKET NO. R97-1

**SEVENTH SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS HATFIELD
(UPS/USPS-T16-27 through 40)**

(September 17, 1997)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories and requests for production of documents directed to United States Postal Service witness Hatfield (UPS/USPS-T16-27 through 40).

Respectfully submitted,



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UPS/USPS-T16- 27. Please refer to page 1, lines 11 through 13 of your direct testimony, where you state, "this testimony estimates the potential difference in transportation costs between DBMC parcel post entered at a destination P&DC and a new rate category of parcel post entered at a destination delivery unit (DDU)." Please explain the use of the term "potential" in this statement.

UPS/USPS-T16-28. Please refer to Exhibit USPS-16A.

(a) Please confirm that the DSCF costs shown in this Exhibit have as an input assumption that DSCF mail has the same cube/weight relationship as DBMC mail. If not confirmed, please explain.

(b) Please confirm that the DDU cost avoidance (i.e., DSCF costs less DDU costs in \$/cf) of 0.3337 \$/cf has as an input assumption that DDU mail has the same cube/weight relationship as DBMC mail. If not confirmed, please explain.

UPS/USPS-T16-29. Please refer to Appendix I, page 13 of 13 of USPS-T-16.

(a) Please confirm that you do not take into account the percentage of inter-BMC mail that is entered at the origin P&DC. If confirmed, explain why you did not do so.

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(b) Confirm that you do not take into account the percentage of intra-BMC mail that is entered at the origin P&DC. If confirmed, explain why you did not do so.

(c) Identify and provide all studies or data with respect to the percentage of inter-BMC or intra-BMC mail that is entered at the origin P&DC.

UPS/USPS-T16-30. Please refer to Appendix III, page 3 of 9 of USPS-T-16.

(a) Please explain how or under what circumstances a held-out local zone intra-BMC parcel will incur intra-city and box route transportation costs.

(b) Will a held-out local zone intra-BMC parcel incur intra-city and box route transportation costs equally on the incoming leg and on the outgoing leg? Please explain your answer and identify and provide all supporting studies and data.

UPS/USPS-T16-31. Please refer to page 15, lines 3 through 5 of your direct testimony, where you state that the costs of labor associated with postal owned transportation are "closely related to purchased transportation costs."

(a) Discuss, identify and provide all supporting studies and data for this assertion.

(b) Please explain how, when, and why postal owned transportation substitutes for purchased transportation.

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(c) Are postal owned transportation costs related to cubic feet, cubic foot miles, or pieces? Please explain your answer.

(d) Please explain what indirect costs are piggybacked off of vehicle service drivers. In your answer identify each cost segment and component in which there are indirect costs and the amount in the Base Year or Test Year that are allocated to Parcel Post in each cost segment and component.

(e) Please explain how each of the indirect costs identified in part (d) above are "closely related to purchased transportation costs." Identify and provide all supporting evidence.

(f) Please explain how each of the indirect costs identified in part (d) above are correlated with cubic feet, or cubic feet miles.

UPS/USPS-T16-32. Please refer to page 15, lines 20-21 of your direct testimony, where you state that "postal owned vehicle service mirrors intra-SCF purchased transportation costs."

(a) Discuss, identify and provide all supporting studies and data for this assertion, including but not limited to any studies performed or data obtained since R90-1.

(b) Please explain how, when, and why postal owned transportation is substituted for intra-SCF purchased transportation.

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(c) Is postal owned vehicle service used for anything other than intra-SCF transportation needs? If yes, describe all other uses.

(d) Does postal owned vehicle service "mirror" intra-SCF purchased transportation with respect to the percentage that is intra-SCF vans, intra-SCF trailers, intra-city and box route? Please explain your answer and identify and provide all supporting evidence for your answer.

(e) Do the indirect costs associated with postal owned vehicle service "mirror" intra-SCF purchased transportation with respect to the percentage that is intra-SCF vans, intra-SCF trailers, intra-city and box route? Please explain your answer and identify and provide all supporting evidence for your answer.

(f) Please confirm that the data cited for intra-SCF highway transportation costs by contract type in Appendix III, page 9 of 9 in USPS-T-16, do not include postal owned vehicle service. If not confirmed, please explain.

UPS/USPS-T16-33. Please refer to Appendix I, page 13 of 13 of USPS-T-16.

(a) Please confirm that witnesses Daniel and Crum take into account in their cost analyses that 12.3 percent of Parcel Post travels directly from the destination BMC to the destination AO. (See USPS-T-29, Appendix V and USPS-T-28, page 5 and Exhibit G). If not confirmed, please explain.

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(b) Please confirm that the transportation costs for Parcel Post that travels directly from the destination BMC to the destination AO would be categorized as intra-BMC. If not confirmed, please explain.

(c) Please confirm that, according to your answer to UPS/USPS-T16-11a, you implicitly assume, in the absence of better information, that the same percentage of Parcel Post travels directly from the origin AO to the origin BMC as does from the destination BMC to the destination AO, and therefore, the direct travel from AO to BMC or BMC to AO does not need to be taken explicitly into account in Appendix I, page 13. If not confirmed, please explain.

(d) Please confirm that 100 percent of DSCF Parcel Post will incur a transportation leg from the DSCF to the destination AO. If not confirmed, please explain.

(e) Please confirm that only 87.7 percent (100% minus 12.3%) of DBMC Parcel Post will incur a transportation leg from the DSCF to the destination AO. If not confirmed, please explain.

(f) Please confirm that those DBMC parcels that incur a transportation leg from the DSCF to the destination AO will, on average, incur the same transportation cost from the DSCF to the destination AO as will DSCF parcels. If not confirmed, please explain.

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(g) Please confirm that a DSCF parcel will, on average, have greater transportation cost from the DSCF to the destination AO than will a DBMC parcel on average, because 12.3 percent of DBMC parcels travel directly from the DBMC to the destination AO. If not confirmed, please explain.

UPS/USPS-T16-34. Please refer to Appendix III, page 7 of your testimony.

(a) Please confirm that the formula for column [7] should read:

Column [7]: Local zone unit cost = [(local zone costs from column [5] / local zone cubic feet from column [1]) + row 5/total cubic feet]*1000

Non-local zone unit cost = [(Non-local zone costs from column [5] / non-local zone cubic feet from column [1]) + row 5/total cubic feet]*1000

If not confirmed, please provide the correct equation.

(b) Please confirm that the formula for column [8] should read:

Column [8]: Local zone unit cost = [(Local zone costs from column [6] / local zone cubic feet from column [2])]*1000

Non-local zone unit cost = [(Non-local zone costs from column [6] / non-local zone cubic feet from column [2])]*1000

If not confirmed, please provide the correct equation.

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(c) Confirm that the formula for column [10] should read:

Column 9 * Appendix II, page 9, column 2 (intra-BMC cubic feet by zone).

If not confirmed, please provide the correct equation.

UPS/USPS-T16-35. Please refer to your interrogatory response to UPS/USPS-T16-13.

(a) Please confirm that using data from Library Reference LR-H-135, the average GCD for each of the postal zones can be calculated by dividing the total cubic foot miles in each zone by the total cubic feet in each zone. If not confirmed, please provide the correct methodology.

(b) Please confirm that by following the methodology outlined in (a) above, the following table is correct. If not confirmed, please explain.

Intra Zone	Cubic ft. miles	Cubic feet	Avg GCD
1-2	841,369,000	18,541,816	45.37684
3	529,488,250	2,353,286	224.9995
4	206,061,460	457,915	449.9994
5	17,915,540	22,394	800.0152

Inter zone	Cubic ft. miles	Cubic feet	Avg GCD
1-2	276,755,600	3,046,453	90.84519
3	1,543,791,760	6,861,300	224.9999
4	4,924,129,550	10,942,512	449.9999
5	7,849,611,410	9,812,010	800.0003

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DBMC zone	Cubic ft. miles	Cubic feet	Avg GCD
1-2	3,243,988,990	58,694,589	55.26896
3	2,268,014,880	10,080,066	225
4	759,160,840	1,687,022	450.0006
5	5,724,540	7,155	800.0755

(c) If (b) is confirmed, please reconcile this with the numbers you list in your response to UPS/USPS-T16-13.

UPS/USPS-T16-36. Please refer to page 12 of Appendix I of your testimony. In general terms, provide all reasons why you believe that highway service costs decrease 3.27% from the Base Year to the Test Year.

UPS/USPS-T16-37. Please refer to page 9 of Appendix III of your testimony.

(a) Please provide Intra-SCF costs by contract type for Parcel Post only, as opposed to all mail.

(b) If you are unable to provide the information requested in (a) above, please confirm that the Parcel Post percentage of Intra-SCF highway and POV costs avoided by DDU parcels could be different from the percentage of Intra-SCF highway and POV costs for all classes of mail. If confirmed, provide all reasons why you believe your use of non-Parcel Post figures is acceptable. If not confirmed, please explain.

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UPS/USPS-T16-38. In reference to your response to UPS/USPS-T-16-18, confirm that purchased transportation accounts for highway and rail empty equipment are restricted to contracts that move only empty equipment or containers and do not include the costs of moving empty containers between postal facilities in association with trips that also carry mail. Please explain any nonconfirmation.

UPS/USPS-T16-39. In reference to your response to UPS/USPS-T-16-18 and Appendix I, page 11, of your testimony, confirm that the attributed costs for purchased highway empty equipment service constitute 0.31 percent of attributed Parcel Post highway service costs, and that the attributed costs for purchased railroad empty equipment service constitute 8.28 percent of attributed Parcel Post railroad service costs. Please explain any nonconfirmation.

UPS/USPS-T16-40. In reference to your response to UPS/USPS-T-16-19, please indicate what portions of Alaska Parcel Post cubic feet or cubic foot/miles other than bypass Parcel Post are reflected in your calculations. In addition, please indicate whether or not Alaska non-pref air costs are exclusively associated with bypass Parcel Post volume, and if not, what other Parcel Post volumes are associated with Alaska non-pref service.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in
accordance with section 12 of the Commission's Rules of Practice.


Stephanie Richman

Dated: September 17, 1997
Philadelphia, PA